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CIA No. 455862

13 September 1955

MEMORANDUM FOR: Executive Secretary, EIC

SUBJECT : The Annual Report for Fiscal Year 1955 of the
Subcommittee on International Trade and Finance

REFERENCE : EIC-D-108, 22 July 1955

A. PROGRAM OF THE SUBCOMMITTEE SINCE ITS INCEPTION

1. Review of the Intelligence Product and the Research Facilities Available for Producing Intelligence in the Subcommittee's Field of Competence.

In FY55, the Subcommittee completed and the EIC published the following two studies:

- a. EIC-SR-3, Institutions and Arrangements in International Trade and Finance Within the Soviet Bloc.
- b. EIC-R-11, Soviet Bloc Balance of Payments with the Free World.

Both of the above projects were ideally within the purview of the Subcommittee. Although important projects, no one agency had the research facilities or time for such major undertakings. Also, because the projects were basic to intelligence research on Sino-Soviet Bloc trade and finance, it was important that they have inter-agency coordination.

Although the Subcommittee did not consider the allocation of research responsibilities among the member agencies in FY55, it is not significantly different than in previous years. The current allocation of responsibilities is as follows:

Officially Published Trade Statistics	- Commerce
East-West Trade	- State, CIA
Clandestine Trade	- CIA
Intra-Bloc Trade	- CIA
Trade Agreements	- State
Soviet Bloc Owned Assets	- Treasury

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-2-

2. Programming of Research Priorities

A tentative list of research deficiencies in the field has been drawn up by the Subcommittee and will be reviewed early in FY56. These deficiencies are as follows:

a. The Intra-Bloc Balance of Payments

CIA which has the major responsibility for this problem has scheduled work in FY56. It is not expected that definitive answers will result from this program but that it will provide the groundwork and much of the analyses.

b. Financial Resources of the Soviet Bloc

Most member agencies have responsibility for parts of this project. CIA is currently working on Bloc gold production, reserves, and sales and is expecting to be finished early in 1956. Much of the remainder of financial resources of the Soviet Bloc will be discussed and analyzed in the proposed revision of EIC-R-11.

c. Price Movements in East-West Trade

No specific agency has scheduled such a research project but the problem is scheduled to be discussed at the next meeting of the Subcommittee.

d. Sino-Soviet Economic Relations

CIA has a project currently underway on this subject.

The Subcommittee has agreed to study a proposal for a revision of EIC-R-11, Soviet Bloc Balance of Payments with the Free World. No projects have been recommended by the Subcommittee for external research.

3. Projects Undertaken at the Request of the EIC

None

4. Discussion of Intelligence Research Techniques

The major discussion in the Subcommittee has centered around standardizing the adjustments which are made in officially reported trade data. An ad hoc working group has been considering the problem and is scheduled to report back to the Subcommittee at a subsequent meeting.

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-3-

5. Review of the Adequacy of Available Information and of the Adequacy of the Facilities for Processing this Information.

The Subcommittee did not take up this problem in FY55. It will be considered early in FY56.

6. Special Coordination Functions of the Subcommittee

Aside from EIC-SR-3 and EIC-R-11, little formal coordination was undertaken.

7. Evaluation of the Role of the Subcommittee

The work of the Subcommittee to date has primarily centered around two major research problems, i.e. Soviet Bloc Balance of Payments with the Free World, and Soviet Bloc Trading Institutions and Arrangements. As was pointed out in A.1., above, both these projects were important to the intelligence community and were ideally within the purview of the Subcommittee.

The Subcommittee has not realized its potential as a medium for inter-agency review and coordination. The major fault of the Subcommittee is that it has not in the past been assigned any of the really important coordination tasks (NIE, EIC-R1, etc.). As a consequence, its members have not felt that the Subcommittee played an important part in inter-agency activities. It is essential to the future of the Subcommittee that it have a substantial role in such important projects. Otherwise, it will not be fulfilling its major responsibilities and will never be more than a minor adjunct to inter-agency activities.

B. FUTURE PROGRAM OF THE SUBCOMMITTEE

The future role of the Subcommittee should be to be the inter-agency coordinating body, including review and research when possible, on basic intelligence problems regarding trade and finance of the Sino-Soviet Bloc. More precisely, the Subcommittee is engaged in planning and setting up of procedures for accomplishing the following:

1. Revision of EIC-R-11
2. Maintaining agreed statistics
3. Reviewing single agency papers
4. Coordinating important interagency projects (NIE, etc.)
5. Standardizing methods of handling and adjusting trade data

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Secretary, Subcommittee on
International Trade and Finance

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